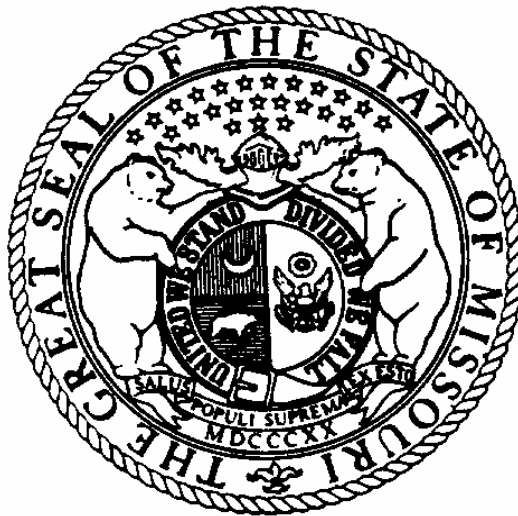


**REPORT
OF
THE SENATE INTERIM COMMITTEE
ON
AVAILABILITY, AFFORDABILITY, AND WELLNESS PROMOTION
IN HEALTHCARE**



January 25, 2007

**Prepared by
Adriane Crouse, Senate Research Staff**

TABLE OF CONTENTS

I.	OVERVIEW
II.	SUMMARY OF INFORMATION AND TESTIMONY RECEIVED
III.	RECOMMENDATIONS

The Honorable Michael Gibbons, President Pro Tempore
State Capitol, Room 326
Jefferson City, Missouri 65101

Dear Mr. President:

The Senate Interim Committee on Availability, Affordability, and Wellness Promotion in Healthcare, acting pursuant to Rule 31 of the Missouri Senate, has met, taken testimony, deliberated, and concluded its study on the various issues facing healthcare in Missouri as it relates to ensuring coverage for the uninsured, and has inquired into the nature and extent of the same. The committee now presents to the General Assembly a report of information and proposed recommendations of actions to address this issue.

Senator Charlie Shields, Chair

Senator Michael R. Gibbons

Senator Chuck Purgason

Senator Rita Days

Senator Patrick Dougherty

**Senate Interim Committee on Availability, Affordability, and Wellness Promotion in
Healthcare**

I. OVERVIEW

As a result of continuing interest on the issue of healthcare in Missouri and particularly as it impacts the uninsured, President Pro Tempore Senator Michael Gibbons established the Senate Interim Committee on Availability, Affordability, and Wellness Promotion in Healthcare.

The committee was charged primarily with studying the factors contributing to individuals being unable to afford health insurance and the ability of small business to afford and provide insurance. Additionally, the committee was charged with studying the portability of health insurance for individuals as well as the efficacy of current attempts to provide incentives for better health outcomes for individuals. In sum, the committee was charged with examining barriers to healthcare and the pitfalls encountered by all the stakeholders striving for the health and well-being of Missourians. Such stakeholders include patients, health care organizations and professionals, large and small employers, and the state.

The membership of the committee consisted of the following Senate members: Senator Charlie Shields, Chair, Senator Michael Gibbons, Senator Chuck Purgason, Senator Rita Days, and Senator Patrick Dougherty.

A meeting was held on September 12, 2006, in Jefferson City. Oral and written testimony was provided by Linda Bohrer, Director of Insurance Market Regulation, Missouri Department of Insurance, Financial Institutions and Professional Registration; Bill Tracy, CEO of United Healthcare of the Heartland States; Dennis Mathies, Blue Cross and Blue Shield of Missouri; and John Korte, Manager of Life and Health Section, Missouri Department of Insurance, Financial Institutions and Professional Registration. Based on testimony, the committee has compiled recommendations as to legislation that would provide for increased examination of the issue of the uninsured in Missouri as well as the importance of availability and affordability of healthcare in the wake of the transformation of the entire healthcare delivery system.

II. SUMMARY OF INFORMATION AND TESTIMONY RECEIVED

In the course of the examination and public hearing on the issue of the availability and

affordability of healthcare, the committee gathered information from witnesses and reports to assist the committee in making recommendations regarding healthcare in Missouri. The following is a list of witnesses and a summary of the testimony provided.

Bill Tracy, CEO of United Healthcare of the Heartland States

Mr. Tracy's presentation through oral and written testimony began by declaring that there is an "elephant in the room" that needs to be addressed. The American consumer of healthcare is not engaged in the process, not healthy, not willing and not informed. According to Mr. Tracy, 60 million consumers have a Body Mass Index over 30 and 12 million have diabetes, with 50% on average of those diagnosed with diabetes not complying with their physician's treatment plans. In addition, Mr. Tracy asserted that 70% of all chronic diseases can be improved by changing lifestyles. Also, consumers have an insatiable demand for resources and access to healthcare. Mr. Tracy noted that part of the problem as well is that the consumer is not informed due to a lack of transparency in pricing.

Mr. Tracy then went on to outline his organization's product portfolio. He noted how his company's focus is now on Consumer Directed Health Plans (CDHP). He stated that to date, in 2006, 25% of the new business for the company was in CDHPs. The focus of these plans includes "imbedded wellness programs," disease management, and personal health record capability. Such CDHPs may also include or offer health savings accounts and health reimbursement accounts. Mr. Tracy also discussed how United Healthcare has revamped its small business portfolio by adding new plans and emphasizing the CDHP Plan affordability.

Mr. Tracy also discussed limited benefit plans. For an example, he noted that in a limited benefit plan there could be ten dollar co-pays, limited prescription drugs, maximum of 30 days in a hospital as well as some out-patient care. The idea is that the limited benefit plan could be very specific in its benefit package. For instance, rather than choosing a limited benefit plan with upper limits on hospital and pharmacy care, one could be chosen that has limited primary care coupled with a large hospitalization deductible. Some of these plans could contain a deductible as high as 5,000 dollars.

Mr. Tracy went also over some of United Healthcare's clinical initiatives including, reviewing evidence-based medicine, on-line physician assessment reports, and professional partnerships with the American Board of Internal Medicine, American Diabetes Association.

Mr. Tracy also promoted the idea of transparency in healthcare. He noted the United Healthcare Premium Designation Program wherein 21 physician specialties are rated on quality and efficiency and that such data is made available for customers through an on-line provider directory. He stated that a UnitedHealth Practice Rewards Program shall be implemented in 2007 and noted a hospital buyer's guide/comparison tool is publicly available at the procedure level.

Dennis Mathies, Vice President and General Manager, Blue Cross and Blue Shield of

Missouri

Mr. Mathies' initial testimony and handout focused on rising healthcare costs and the problem of quality healthcare. His presentation touched on issues involving the decline of employer-sponsored health insurance, variations in hospital and in evidence-based care, and affordability. Mr. Mathies noted that healthcare consumers are looking for choices in the plan, price, provider and treatment.

Mr. Mathies went over the products that are offered addressing the needs of the uninsured such as affordable products that provide basic coverage. Such basic coverage could include only hospital and surgical plans. He noted how BlueCross and Blue Shield is enhancing existing products to increase affordability such as offering deductible options for HMO products.

Mr. Mathies also explained the need to package products so that they appeal to the "underinsured" market and offered as an example the TONIC product. The TONIC product targets younger individuals who can afford healthcare insurance but do not currently purchase it. This product will be available in Missouri in beginning in 2007.

Mr. Mathies also noted that there was a need to take into account increased consumerism and transparency in healthcare. One product that encompasses these goals is their consumer-directed *Lumenos* products. He explained that 50-70% of all healthcare costs are directly related to people's personal habits such as diet, exercise, and smoking. Lifestyle choices directly impact total compensation paid by employers. He acknowledged that an increased focus on wellness can improve the overall health of the nation and thereby reduce costs in the end. Noting that employers recognize all these factors, they are asking for programs that would address the problem.

According to Mr. Mathies, *Lumenos* is a successful model with proven results. He stated that 53% of *Lumenos* customers indicate increased knowledge in managing their healthcare while 95% say they enrolled in the program because they wanted more flexibility and control over their healthcare. Additionally, *Lumenos* members are three times more likely to choose a less expensive treatment option. As part of process involved in the *Lumenos* product, health risk assessments are filled out. The *Lumenos* product will be rolled out in 14 states in 2007 and are planning a rollout of the *Lumenos* product for the individual market as well the group market.

Linda Bohrer- Director of Insurance Market Regulations, Missouri Department of Insurance

John Korte, Manager, Life and Health Section, Missouri Department of Insurance, Financial Institutions and Professional Registration

Ms. Bohrer and Mr. Korte testified on behalf of the department and presented handouts providing an overview of the individual health insurance market as well as definitions for health savings accounts (HSA), high deductible health plans (HDHP), health reimbursement arrangements (HRA) and flexible spending arrangements (FSA).

Ms. Bohrer explained that the enactment of HB 1827 (2006), has provided an opportunity for small and large employer groups to pool together. She noted that there has been great interest. She was asked to discuss the portability issue. She explained that there are protections currently in place for those moving from group plan to another group plan and those moving from group to individual plans. She also described Missouri's high risk pool to the committee. The pool, known as the Missouri Health Insurance Pool, is administered by Blue Cross and Blue Shield of Missouri and Blue Cross and Blue Shield of Kansas City. She noted that Missouri insures 2,900 from the high risk pool.

III. FINDINGS AND RECOMMENDATIONS

After review of all information received by the committee, the committee determined that the following findings and recommendations should be made to the General Assembly:

1. There are numerous factors contributing to the rise of the uninsured. Rising

medical costs, higher priced health insurance premiums, and the decline of employer-sponsored health insurance all contribute to the causes¹. It is projected that at the current rate of increase, nearly 56 million Americans will be uninsured by 2013.² A Missouri Foundation for Health study stated that in 2005, the number of uninsured Missourians ranged from 635,000 to 707,000 (or 11% to 12.6% of the population)³.

2. Affordability of health insurance is one of the primary reasons contributing to the growing uninsured population. Even though the rise in cost of health insurance premiums has slowed in recent years, the cost is still rising three times faster than wages. A recent Kaiser Family Foundation survey indicated that the annual premiums for family coverage reached \$10,800 in 2005, which is slightly higher than the gross earnings, \$10,712, for a full-time worker.⁴
3. In a handout presented by Blue Cross and Blue Shield, the uninsured population was classified into three equal segments. The first category was those people eligible for public programs like Medicaid and CHIP, but who are not enrolled. The next category includes those people with incomes that would allow them to buy insurance, but they chose not to do so. The final category includes those people that could not afford health insurance, but have incomes that preclude public access, and therefore are chronically uninsured. This last category includes 9 million people below 200% of the federal poverty level.
4. Taking all of these factors into account, and certainly a myriad of other nuances in societal, governmental, healthcare and economic arenas not mentioned here, the committee recognizes the need to tailor a solution to the grave public policy concern of the uninsured.
5. The committee recommends continuing to address the issue of providing coverage for the uninsured while at the same time considering the reform and transformation proposals of the public healthcare delivery system by hearing all the proposals in the newly formed standing Health and Mental Health Senate committee.
6. Given that there will not be “one silver bullet” that will solve all of the problems of availability and affordability of healthcare, the committee recommends examining all healthcare proposals as the General Assembly moves forward in addressing both Medicaid reform and coverage for the uninsured.
7. The committee recommends that members of senate work closely with the Department of Insurance, Financial Institutions, and Professional Registration in examining current trends and programs and proposals for covering the uninsured.

8. In February 2006, the federal Deficit Reduction Act (DRA) of 2005 was enacted. The DRA grants flexibility and implicitly encourages the various states to undergo transformation and reform without the need to seek a waiver from the federal government. Examples of legislation made possible through newfound authority from the DRA are SB 15 and SB 248 from the current legislative session. Such legislation would coordinate the use of private insurance as well as Medicaid to cover the costs of long-term care by encouraging people to purchase private insurance and in the event the private insurance runs out, Medicaid coverage would then pay for long-term care. The incentive to purchase the private policy comes from granting asset protection, on a dollar-for-dollar basis, up the policy maximum, at the time the person applies for Medicaid. Previously, federal law prohibited all but four states, from enacting such public-private partnership programs. Therefore, the committee recommends that the state further seek to take advantage of all federal incentives and programs while undergoing Missouri's reform.

¹ Amanda Brodt, Alice Burton, Donald Cohn, Brynna Cox, Amanda Folsom, Isabel Friedenjohn, Enrique Martinez-Vidal, Margaret Trinity, "State of the States: Building Hope, Raising Expectations," State Coverage Initiatives, a program of the Robert Wood Johnson Foundation administered by AcademyHealth, January 2007, p 36

² Id., page 7

³ Missouri Foundation for Health, "Show Me Fact Sheet: New Numbers on the Uninsured in Missouri," January 2006

⁴ Brodt et.al, "State of the States: Building Hope, Raising Expectations," State Coverage Initiatives, a program of the Robert Wood Johnson Foundation administered by AcademyHealth, January 2007, p 36